

11-6
OPEN MEETING



0000015849

MEMORANDUM

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2001 APR -4 P 4: 53

TO: THE COMMISSION

FROM: Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: April 4, 2001

RE: SOUTHWEST GAS CORPORATION – FILING FOR APPROVAL OF A
SPECIAL GAS PROCUREMENT AGREEMENT WITH THE UNIVERSITY
OF ARIZONA (DOCKET NO. G-01551A-01-0231)

On March 16, 2001, Southwest Gas Corporation ("Southwest") filed for Commission approval of a special gas procurement agreement with the University of Arizona. The University of Arizona is currently served under a contract entered into by the parties under Schedule B-1, Potential Bypass/Standby Gas Service. The proposed procurement agreement would become effective upon Commission approval. The proposed procurement agreement has an initial term of two years and will automatically continue unless one party gives notice of termination at least 120 days prior to the anniversary date of the agreement.

Service under Schedule G-30 is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent. The University of Arizona is located approximately 4.7 miles from El Paso Natural Gas Company's ("El Paso") interstate pipeline. Staff has reviewed the University of Arizona's usage characteristics and projected bypass costs and believes that bypass is a viable option for the University of Arizona. Further, Southwest has indicated the proposed procurement agreement is necessary to avoid such a bypass.

Southwest has indicated that it will enter into gas supply contracts with a gas supplier for the University of Arizona's gas requirements which are separate from Southwest's general system supply contracts and that this supply will be accounted for separately from Southwest's general system supply.

The specific charges for serving the University of Arizona were provided to Staff under a confidentiality agreement. Staff has reviewed the charges included in the proposed procurement agreement and believes that the revenues Southwest receives should cover its cost of serving the University of Arizona. However, if conditions change in the gas market it is theoretically possible that Southwest could experience a negative margin on this procurement agreement. As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor account with all upstream pipeline capacity charges collected from the University of Arizona. This will benefit other ratepayers.

THE COMMISSION

Page 2

The University of Arizona has a viable alternative to being served by Southwest. Without this agreement Southwest might lose net revenues it would otherwise receive. Staff recommends approval of this filing. Further, Staff recommends that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.



for
Deborah R. Scott
Director
Utilities Division

DRS:BGG:jbc/RJM

ORIGINATOR: Robert Gray

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
Chairman
3 JIM IRVIN
Commissioner
4 MARC SPITZER
Commissioner
5

6 IN THE MATTER OF THE APPLICATION OF)
SOUTHWEST GAS CORPORATION - FILING)
7 FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH THE)
8 UNIVERSITY OF ARIZONA)
9

DOCKET NO. G-01551A-01-0231
DECISION NO. _____
ORDER

10 Open Meeting
April 17 and 18, 2001
11 Phoenix, Arizona

12 BY THE COMMISSION:

13 FINDINGS OF FACT

14 1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas within
15 portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

16 2. On March 16, 2001, Southwest Gas Corporation ("Southwest") filed for Commission
17 approval of a special gas procurement agreement with the University of Arizona.

18 3. The University of Arizona is currently served under a contract entered into by the parties
19 under Schedule B-1, Potential Bypass/Standby Gas Service.

20 4. The proposed procurement agreement would become effective upon Commission
21 approval. The proposed procurement agreement has an initial term of two years and will automatically
22 continue unless one party gives notice of termination at least 120 days prior to the anniversary date of
23 the agreement. —

24 5. Service under Schedule G-30 is available to customers who can establish that bypass of
25 Southwest is economically, operationally, and physically feasible and imminent. The University of
26 Arizona is located approximately 4.7 miles from El Paso Natural Gas Company's ("El Paso") interstate
27 pipeline.
28

ORDER

IT IS THEREFORE ORDERED that the filing be and hereby is approved.

IT IS FURTHER ORDERED that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
Executive Secretary of the Arizona Corporation
Commission, have hereunto, set my hand and caused the
official seal of this Commission to be affixed at the Capitol,
in the City of Phoenix, this ____ day of ____, 2001.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DRS:BGG:jbc/RJM

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2 DOCKET NO. G-01551A-01-0231

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